

Office of the Legislative Auditor

State of Montana



Report to the Legislature

October 1989

Financial-Compliance Audit

6501 Department of Commerce

For the Two Fiscal Years Ended June 30, 1989

This report contains recommendations for improving compliance and management controls. These recommendations address:

- ▶ Spending in accordance with approved operating plans.
- ▶ Preparing and distributing a county collections manual.
- ▶ Requiring licensing boards to set fees commensurate with costs.
- ▶ Complying with federal regulations governing the Section 8 Housing and Community Development Block Grant programs.

Direct comments/inquiries to:
Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

89-10 X

FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1987 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Office of the Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Greg Jergeson, Vice Chairman
Senator Tom Keating
Senator Tom Rasmussen
Senator Mike Walker

Representative John Cobb, Chairman
Representative Mike Kadas
Representative Robert Pavlovich
Representative Bruce Simon



LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

November 1989

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Commerce's financial activity for fiscal years 1987-88 and 1988-89. The report contains recommendations concerning compliance with state and federal laws and regulations.

The department's written response to the audit recommendations is included in the back of the audit report. We thank the director and the department staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", written over a horizontal line.
Scott A. Seacat
Legislative Auditor

Department of Commerce

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1989

Members of the audit staff involved in this audit were Vickie Rauser, Rebecca Dorwart, Mark Barry, Maryrose Beasley, Susan Fleming, Charles Jensen, and Charles Nemec.

Table of Contents

	List of Tables	iii
	Appointive and Administrative Officials	iv
	Summary of Recommendations	vii
Introduction	Introduction	1
	Background	1
Prior Audit Recommendations	Prior Audit Recommendations	5
Findings and Recommendations	State Compliance	6
	Control System	6
	House Bill 2, Laws of 1987	6
	County Collections Manual	8
	Fees Commensurate with Costs	9
	Federal Compliance	11
	Federal Section 8 Housing	11
	CDBG Performance and Evaluation Report	13
	Financial Activity	14
	Summary of Audit Opinion	16
Independent Auditor's Report and Agency Financial Schedules	Independent Auditor's Report	17
	Schedule of Changes in Fund Balances for the Two Fiscal Years Ended June 30, 1989	18
	Schedule of Budgeted Revenue & Transfers In - Estimate & Actual for the Fiscal Year Ended June 30, 1989	19
	Schedule of Budgeted Revenue & Transfers In - Estimate & Actual for the Fiscal Year Ended June 30, 1988	20

Table of Contents

Schedule of Budgeted Program Expenditures and Transfers Out by Object & Fund - Budget and Actual for the Fiscal Year Ended June 30, 1989	21
---	----

Schedule of Budgeted Program Expenditures and Transfers Out by Object and Fund - Budget and Actual for the Fiscal Year Ended June 30, 1988	22
---	----

Notes to Financial Schedules	23
------------------------------------	----

Department of Commerce	30
------------------------------	----

Agency Response

List of Tables

Table 1

Selected Professional and Occupational
Licensing Boards 10

Table 2

Board of Housing Misstatements for the
Fiscal Year Ended June 30, 1988 15

Appointive and Administrative Officials

Department of Commerce

Michael L. Letson, Director

Andy Poole, Deputy Director

James Kemble, Administrator
Business Regulation and Licensing Division

Patricia Saindon, Administrator
Transportation Division

Michael D. Ferguson, Administrator
Aeronautics Division

Fred Flanders, Administrator
Financial Division

Carolyn Doering, Administrator
Management Services Division

Robert Heffner, Administrator
Business Assistance Division

Newell Anderson, Administrator
Local Government Assistance Division

Dave Lewis, Executive Director
Investment Division

Jerry Hoover, Administrator
Montana Health Facilities Authority

Steve Huntington, Executive Director
Montana Science and Technology Alliance

Richard Kain, Administrator
Housing Division

Charles Brooke, Director
Montana State Lottery

Sandra Guedes, Administrator
Montana Promotion Division

Appointive and Administrative Officials

Sandy Courtnage, Administrator
Office of Research and Information Services

Don Wetzel, Coordinator
Coordinator of Indian Affairs

Introduction

Introduction

We performed a financial-compliance audit of the Department of Commerce for the two fiscal years ended June 30, 1989. The accompanying financial schedules include activity related to the Board of Housing (BOH), Board of Investments (BOI) including the Montana Office of Developmental Financing, and the Montana State Lottery, which are audited separately each fiscal year. The audit of BOI for fiscal years 1987-88 and 1988-89 was performed by our office; the BOH and Lottery audits were performed by private CPA firms under contract with our office for each of the two fiscal years.

This audit report includes six recommendations designed to improve the department's compliance with federal and state laws and regulations. We have disclosed the cost, if significant and practicable to obtain, of implementing these recommendations in accordance with section 5-13-307, MCA.

Background

The Department of Commerce (department) consists of several divisions as well as several units attached to the department for administrative purposes. At June 30, 1989, the department had 319 employees on its payroll, including part-time and temporary employees. The authorized full-time equivalent (FTE) staff positions for the 1989 biennium were approximately 344; authorized FTE for the 1991 biennium is approximately 336. Following is a description of the various divisions and offices administered by the department.

Director - administers the department and its divisions. Specific activities of the director's office include the Indian Affairs Coordinator, the County Printing Board and the Office of Legal and Consumer Affairs. Also included is the Horse Racing Bureau and the Office of Research and Information Services which includes the Census and Economic Information Center and the Governor's Council on Economic Development. In addition, the director is the chairman of the Montana State Banking Board.

Business Regulation and Licensing Division - consists of the Building Codes, Milk Control, Professional and Occupational Licensing, and the Weights and Measures Bureaus. The division also licenses private employment agencies and passenger tramways.

Introduction

Management Services Division - performs the centralized services for the department in the areas of purchasing, accounting, budgeting, payroll, personnel, training, records management, and internal department procedures. The division also provides data processing systems design, analysis, and development for activities within the department.

Transportation Division - provides technical, legal, planning, and financial assistance to transportation users, providers and local governments. The staff also make recommendations for development of Montana's transportation system. This is accomplished through various state and federal programs of technical and financial assistance designed to assist shippers, agriculture, the rail and trucking industries, inter-city passenger carriers, urban public transportation, and other transportation providers and users. The division administers the State Rail Plan and maintains Montana's eligibility for general railroad assistance funding.

Aeronautics Division - consists of the Airport/Airways Bureau, the Safety and Education Bureau, and the Aeronautics Board. The Airport/Airways Bureau provides technical and financial assistance to communities in airport development, communications, aviation safety and airport planning; navigational aids, and communications facilities. The Safety and Education Bureau provides for statewide aerial search and rescue, enforces state law on pilot and aircraft registration, and provides for various education and training programs. The Aeronautics Board exercises quasi-judicial and quasi-legislative powers contained in state law. These pertain to certificates of public convenience and necessity for air carriers, setting rates, and other related matters.

Montana Promotion Division - promotes Montana as a vacation destination and industrial and business location site. The division produces publications, print, radio, television, and outdoor advertising, provides information services for inquiring public, and serves as a liaison with the private sector. The division also promotes Montana as a film location for motion pictures and commercials.

Business Assistance Division - performs services that constitute the technical assistance component of the State's Economic Development effort. Through seven programs, the division

assists in the promotion and marketing of Montana products on a local, state, regional and national basis and helps businesses market their products outside the United States through an International Trade Program including a Pacific Rim Trade Office and a showroom in Taipei. The division provides technical financial and planning assistance to new and existing Montana businesses and serves as a single contact for business licensing. The division also provides federal contracting opportunities through the contract procurement market system; conducts promotion and recruitment efforts to relocate out-of-state firms; and works closely with local development organizations; to retain, expand and recruit business. The division manages the economic development function of the Community Development Block Grant Program.

Financial Division - consists of State Banking Board and staff who are responsible for chartering, licensing, supervising, and examining state banks, saving and loan associations, credit unions, consumer loan licensees, sales finance companies and Montana development companies/boards.

Local Government Assistance Division - operates twelve direct service and financial assistance programs. The Community Development Bureau provides assistance to local governments, private developers, and citizens in the areas of: public works, planning and financing, land use and development regulation, capital improvement planning, local government issues and research and development. The bureau includes the Coal Board, the Hard Rock Mining Board, the Community Development Block Grant Program and the Technical Assistance Program. The division administers the Federal Section 8 Housing Program which provides decent, safe and sanitary housing to eligible low-income families and individuals. The division also administers the Local Government Audit Program which performs financial and compliance audits of Montana counties, cities, towns, school districts and special taxing districts; and the Local Government Systems Program which exists to develop, implement, and maintain uniform budgetary, accounting and reporting systems for cities, towns, counties, school districts, and single purpose districts. The District Court Reimbursement Program is the responsibility of this division.

Montana State Lottery - is responsible for the promotion, regulation and enforcement of the Montana State Lottery. The

Introduction

Lottery commission is responsible for adopting administrative rules relating to the lottery. The Lottery is attached to the department for administrative purposes.

Housing Division - The Board of Housing is established to provide decent, safe, sanitary housing in the state within the financial capabilities of lower income persons and families. Public moneys are made available through the issuance of revenue bonds to assist private enterprise and governmental agencies in meeting critical housing needs.

Montana Health Facilities Authority - issues revenue bonds and notes to finance capital projects for public and private nonprofit health facilities at borrowing rates below those otherwise available.

Montana Science and Technology Alliance - created to stimulate economic development in the state by providing financial support in the form of investments to organizations and companies seeking to develop technology-based businesses.

Investment Division - has sole authority to invest funds in accordance with the Montana Constitution and statutory requirements. The Board of Investments administers the Coal Tax Loan Program, the Montana Capital Companies Program, the Industrial Development Revenue Bond Program, and the Municipal Finance Program. The board manages programs which make loans, provide for the issuance or backing of bonds and issue tax credits to encourage development in Montana.

Prior Audit Recommendations

Prior Audit Recommendations

We performed the audit of the department for the two fiscal years ended June 30, 1987. The prior audit report contained 12 recommendations still applicable to the department. Of those recommendations, the department implemented eight and partially implemented four. Recommendations not fully implemented deal with the department's control system over compliance issues, the lottery, and federal financial assistance programs. The control system over compliance is discussed on page 6. The federal compliance issues not fully implemented are discussed on pages 12 through 14. The recommendation concerning the lottery has been discussed with department management and we make no further recommendations related to it in this report.

Findings and Recommendations

State Compliance

Control System

The department is currently in the process of implementing a system of controls to ensure compliance with state laws and regulations. We recommended the department implement such a system in the previous audit report issued in June 1988. That report contained a list of 13 compliance issues which, collectively, identified a need for procedures to monitor both compliance and the need for necessary amendments or revisions to state laws and regulations.

The department began implementation in March 1989 by requesting the division administrators to: 1) review a list of laws and regulations applicable to their programs, and 2) summarize issues which may indicate a need for a change in laws or regulations. The department plans to implement a more permanent and well-defined system of review when resources are identified for this purpose.

We tested compliance with laws and regulations of several divisions and licensing boards during this audit. We identified eight instances of noncompliance involving the Building Codes Division, the Board of Outfitters (2), the Board of Athletics (2), the Board of Private Security Patrolmen and Investigators, the Board of Electricians, and the Board of Architects. Two of these instances, the Building Codes Division item and one from the Board of Private Security Patrolmen and Investigators, were reported in the previous audit report.

Because the department is in the process of implementing the prior audit recommendation, this section is for disclosure purposes and we make no further recommendation. We will continue monitoring the implementation.

House Bill 2, Laws of 1987

According to House Bill 2, Laws of 1987, "Expenditures by a state agency must be made in substantial compliance with an operating budget approved by an approving authority." For executive branch agencies, the Office of Budget and Program Planning is the approving authority. House Bill 2 goes on to define substantial compliance as no expenditure category in an

Findings and Recommendations

approved budget may be overspent by more than 5 percent. House Bill 2 also states each operating budget must include expenditures for each program detailed at least by the categories of personal services, operating expenses, equipment, benefits and claims, grants, transfers, and local assistance. The state agency is to record this operating budget or plan and any approved changes on the Statewide Budget and Accounting System (SBAS).

We reviewed the operating plan for each department program on SBAS at fiscal year-end 1988-89 and compared these to actual current year expenditures. We found 10 programs where the department overspent individual categories, as discussed above, by more than 5 percent. The department did not overspend any of its programs in total.

According to Management Services Division personnel, program managers are responsible for monitoring their spending in accordance with the operating plan on SBAS. If a program manager anticipates spending outside the approved operating plan, he is to inform Management Services Division personnel so they may submit an operating plan amendment. However, many program managers incur the expenditures and fail to identify the need for an operating plan amendment. Management Services Division personnel review SBAS during the fiscal year-end period and prepare the necessary operating plan amendments to ensure expenditures fall within the "substantial compliance" limitations. According to department management the review is complicated by the fact the operating plans on SBAS include appropriations in addition to those in House Bill 2. Current practice is to apply the operating plan spending provisions only to House Bill 20 appropriations. This in turn complicates ensuring compliance with the House Bill language and some plans go uncorrected. The fiscal year-end operating plan amendments prepared to ensure compliance with House Bill 2 are, in the department's experience, consistently approved by the Office of Budget and Program Planning but are not recorded on SBAS.

Findings and Recommendations

Recommendation #1

We recommend the department:

- A. Establish policies and procedures to ensure program managers spend in accordance with their operating plans as recorded on SBAS.**
- B. Record all operating plan amendments on SBAS.**

County Collections Manual

We performed a review of the collection process for revenues collected by the counties on behalf of the state. Our examination included collections made from April 1, 1984 through March 31, 1985. We issued our report in January 1986 and recommended the legislature assign responsibility for the county collection process to a designated state agency. We also recommended this agency create a comprehensive manual of procedures for the collection of state revenues. The Legislative Audit Committee then sponsored the legislation enacting section 7-6-2141, MCA, which requires the Department of Commerce to prepare and distribute a county collections manual to county treasurers explaining the procedures and forms used in collecting revenue for the state. The law requires the affected state agencies to notify the department of the procedures and forms to be included in the manual.

During our audit work, we inquired about the preparation of the county collections manual. Department personnel stated, the department has not prepared a county collections manual because it has not received the appropriation authority to prepare it despite repeated requests. As a result, there is still no comprehensive manual of procedures for the collection of revenue by counties on behalf of the state.

Department personnel believe they have complied to the extent possible with the spirit of the law through the counties' use of the Montana Budget, Accounting and Reporting System (BARS). BARS has been in use for approximately 12 years. This accounting system prescribes and defines both the accounting

Findings and Recommendations

codes and the statutory references for all funds collected by local governments. Additionally, department personnel conduct annual workshops for the fiscal officers at local governments.

We do not believe BARS meets the intent of the law as it is an accounting system and not a procedures manual. The department should use the annual workshops as a supplement to, not a replacement for, the mandated manual.

Department personnel have estimated the cost to prepare and maintain this manual. The first year's cost estimate is \$52,900 and includes 1.25 FTE. The second year's cost estimate is \$44,000 which includes 1 FTE. Costs for subsequent fiscal years approximate \$37,350 and include .75 FTE. These are the current estimates, developed November 1989.

Recommendation #2

We recommend the Department of Commerce comply with state law by preparing and distributing a county collections manual.

Fees Commensurate with Costs

According to section 37-1-134, MCA, professional and occupational licensing boards are to set their fees reasonably commensurate with the costs of their programs. If professional and occupational licensing fees are commensurate with costs, the boards' fund balances should not fluctuate a great deal. According to professional and occupational licensing personnel, the boards like to maintain a fund balance at approximately the same level as one year's expenditures. We reviewed the revenues, expenditures and fund balances of all the professional and occupational licensing boards for fiscal years 1987-88 and 1988-89.

Our review identified 25 boards in fiscal year 1987-88 and 20 boards in fiscal year 1988-89 whose revenues exceeded expenditures causing an increase in the boards' fund balances. We also found 21 boards in fiscal year 1987-88 and 24 boards in fiscal

Findings and Recommendations

year 1988-89 whose fund balances exceeded their current year's expenditures. The following schedule identifies these boards, their fund balances, the difference between revenues and expenditures for the two fiscal years under audit, and the ratio of fund balances to fiscal year 1988-89 expenditures.

Table 1

Selected Professional and Occupational Licensing Boards					
Board	Amount by which Revenues Exceed Expenditures		Fund Balance June 30		Ratio of Fund Balance to Fiscal Year 1988-89 Expenditures
	FY 1988	FY 1989	1988	1989	
Board of Outfitters	\$57,354	\$75,759	\$57,354	133,113	1.49
Board of Speech Pathologists	1,423	1,463	13,371	14,833	2.11
Board of Radiologic Technicians	8,032	15,628	43,924	59,551	3.76
Physical Therapists	7,690	7,485	54,407	61,892	4.29
Board of Nursing Home Administrators	7,231	7,247	25,906	33,153	2.78
Board of Public Accountants	(7,510)	1,016	209,336	210,352	1.40
Board of Sanitarians	3,365	370	22,680	23,050	3.17
State Electrical Board	1,084	(9,257)	138,471	129,215	1.92
Board of Architects	10,049	(8,559)	76,370	67,811	1.87
Board of Morticians	2,937	1,480	29,848	34,264	1.55
Board of Professional Engineers and Land Surveyors	56,930	(29,998)	161,645	131,647	1.53
Board of Cosmetology	73,693	63,863	397,460	461,323	3.79
Board of Private Security Patrolmen & Investigators	19,938	8,310	40,110	48,419	2.60
Board of Dentists	39,387	26,814	118,334	145,148	2.61
Board of Optometrists	5,843	6,394	47,347	53,742	2.38
Board of Nursing	98,484	102,313	220,164	322,478	1.91
Board of Veterinarians	1,496	645	29,070	29,716	1.24
Board of Barbers	(3,444)	(6,614)	38,288	31,674	1.05
Board of Social Workers	44,510	40,624	42,372	82,997	4.53
Board of Athletics	7,930	5,729	11,259	16,988	4.30
Board of Polygraph Licensing	1,500	552	3,291	3,843	2.78
Board of Psychologists	371	5,830	15,072	20,902	1.60
Board of Hearing Aid Dispensers	478	4,281	8,632	12,913	1.29
Board of Medical Examiners	59,219	80,008	154,923	234,931	1.17

Compiled by the Office of the Legislative Auditor from Department of Commerce records.

The boards listed above should review their fee structures and, where necessary; decrease their licensing fees to be commensurate with costs in accordance with state law. Professional and occupational licensing personnel periodically review the boards' fund balances and make recommendations to

Findings and Recommendations

the boards to change their fees. Some boards, according to department personnel, are more responsive than others. Department personnel have indicated they will continue to work with the boards to achieve compliance with this state law.

Recommendation #3

We recommend the department require the licensing boards to comply with state law and set fees commensurate with costs.

Federal Compliance

We tested compliance with federal laws for federal assistance programs administered by the department. We designed our procedures to satisfy the requirements of the Single Audit Act of 1984 and Office of Management and Budget (OMB) Circular A-128 as applied to the state of Montana's reporting entity. We specifically tested compliance and expenditure allowability for grants funded by the U.S. Department of Housing and Urban Development (HUD) for the Section 8 Housing Program and the Community Development Block Grant. We also tested the reasonableness of the Statements of Federal Land Payments for the fiscal years ended September 30, 1987 and 1988, which are submitted to the Bureau of Land Management, U.S. Department of the Interior under the Payment in Lieu of Taxes Act. The following two sections discuss our concerns related to federal financial assistance programs. Each section indicates the Catalog of Federal Domestic Assistance (CFDA) number by which the federal government identifies the program.

Federal Section 8 Housing

Rental Unit Inspections - Federal regulations require that 5 percent of the annual inspections of Section 8 Housing (CFDA #14.156) rental units be reinspected for quality control purposes. The reinspection is designed to provide assurance the inspectors follow inspection guidelines. Section 8 personnel did not complete the required reinspection for fiscal years 1987-88 and 1988-89. Section 8 personnel stated they had formally requested and received a waiver of this requirement due to lack of

Findings and Recommendations

resources and computer system implementation problems. However, personnel could not produce documentation of the waiver and HUD officials stated they had no record of the request for a waiver.

Department personnel have indicated they began the reinspection process in August 1989 with completion set for November 1989. The department should establish priorities to ensure the reinspections are completed each year in accordance with federal regulations. This issue did not cause us to question the allowability of costs for federal reimbursement.

Recommendation #4

We recommend the department comply with the Section 8 reinspection regulations.

Accounts Receivable - In our prior audit report we recommended the department record accounts receivable for overpayments of Section 8 Housing Assistance (CFDA #14.156). At fiscal year-end 1988-89, Section 8 requested Management Services Division to record \$19,654 of accounts receivable on the accounting records. We reviewed the support for this transaction and determined Section 8 should have requested recording receivables totalling \$58,172 with an allowance for uncollectible accounts of \$11,255. The end result is that net receivables at June 30, 1989, are understated by \$27,263. The Montana Operations Manual Section 2-1100.120 requires all bona fide receivables be recorded on the accounting records.

Section 8 personnel informed us the receivables can occur in three ways:

1. Section 8 personnel send a housing assistance payment to a landlord in error. This occurs when a tenant vacates the rental unit and does not notify Section 8 in time to stop the next assistance payment. Section 8 notifies the landlords and requests them to return the overpayments.

Findings and Recommendations

2. Section 8 may overpay landlords because the tenant provided incorrect financial information; e.g. the tenant may claim a lower income than is actually the case. Tenants are liable for this type of overpayment. Section 8 personnel attempt to notify the tenants and seek reimbursement for these overpayments.
3. Federal Housing regulations allow Section 8 to cover damages incurred to a rental unit by a tenant. Regulations also allow the Section 8 to seek reimbursement for these damage expenses from the tenants.

Section 8 has a computer system which could be more actively used to track the receivables described above. Personnel were unable to identify what amount of the \$58,172 receivable related to overpayments and what amount related to damage expenses.

Section 8 personnel indicated they were unfamiliar with the receivables portion of the computer system as the former administrator had not provided the necessary training. The present administrator informed us the clerical personnel would receive the training necessary to monitor and account for the receivables discussed above.

Recommendation #5

We recommend the department:

- A. **Record all accounts receivable for Section 8 Housing Assistance overpayments and damage expenses.**
- B. **Provide training on the housing assistance computer system to Section 8 personnel.**

CDBG Performance and Evaluation Report

The department prepared a Performance and Evaluation Report for the fiscal year ended June 30, 1988 on the fiscal year 1986-87 Community Development Block Grant (CDBG) award (CFDA #14.228). We reviewed this report as it was the most recent one compiled by the department at the time of our

Findings and Recommendations

fieldwork. The report contains general CDBG information as well as more detailed information for the 17 projects in process. We verified financial information for the grant as a whole and for 5 of the individual projects.

We noted the department included an August 1, 1988 cash drawdown in the report. As the report was dated June 30, 1988, this drawdown should not be included. Inclusion resulted in the total fiscal year 1987-88 drawdowns reported being overstated by \$192,750. CDBG personnel indicated this error was caused by an oversight during their review. This error did not cause us to question the allowability of any costs for federal reimbursement.

Recommendation #6

We recommend the department ensure correct and consistent information is included in the CDBG Performance and Evaluation Report.

Financial Activity

The audit reports issued for the two fiscal years ended June 30, 1985 and June 30, 1987 contained recommendations related to properly recording all financial activity on the department's accounting records in accordance with state law. As of June 30, 1988, the department had not recorded the June 1988 activity for the Board of Housing (BOH). The omission resulted in the following misstatements on the accounting records as of June 30, 1988. These misstatements did not affect the unqualified opinion on the department's financial schedules for the two fiscal years under audit.

Findings and Recommendations

Table 2

Board of Housing Misstatements for the fiscal year ended June 30, 1988.

<u>Category</u>	<u>Over(Under)Stated</u>
Assets	\$(3,451,795)
Liabilities	(2,606,213)
Revenues	(2,955,147)
Expenditures	1,092,304
Fund Balance, July 1, 1987	3,201,869
Fund Balance, June 30, 1988	(845,582)

Compiled by the Office of the Legislative Auditor from Department of Commerce records.

We brought this matter to the attention of department personnel who stated they would estimate June 1989 activity for recording purposes. The estimates are necessary because BOH personnel cannot obtain actual June financial activity from the various sources in time to allow Management Services Division personnel to record complete fiscal year activity on the department's accounting records. We reviewed the procedures used to establish these estimates and determined the department took appropriate steps in estimating the June 1989 BOH activity. Therefore, we make no further recommendations to the department on this issue.

INDEPENDENT AUDITOR'S REPORT
AND AGENCY FINANCIAL SCHEDULES

Summary of Audit Opinion

Summary of Audit Opinion

The auditor's opinion issued on the financial schedules contained in this report is intended to convey to the reader the degree of reliance which he can place on the amounts presented. The reader may rely on the fairness of the amounts on the schedules presented on pages 18 through 29 when analyzing the financial activity of the Department of Commerce.



LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Department of Commerce for each of the two years ending June 30, 1988 and 1989, as shown on pages 18 through 29. These financial schedules are the responsibility of department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the department's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Department of Commerce for the two years ending June 30, 1988 and 1989, in conformity with the basis of accounting described in Note 1.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

August 25, 1989

DEPARTMENT OF COMMERCE
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1989

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Expendable Trust Funds</u>	<u>Nonexpendabl Trust</u>
WD BALANCE: July 1, 1987	\$ -0-	\$ 6,136,212	\$ 778,780	\$ 45,254,056	\$ 422,784	\$ 3,523,574	\$88,776,665
DITIONS							
<u>fiscal Year 1987-88:</u>							
udgeted Revenue & Transfers In	>8,764,504	>28,438,253		>22,965,895	>4,010,034	>324,037	>8,355,373
onbudgeted Revenue & Transfers In	>711	>5,744		>56,397,059			>8,658,518
prior Year Revenue Adjustments	8,253			349,611	40,777		
ash Transfers In		6,940,690	10,119,589				
prior Year Transfers In Adjustments		(26,687)					26,687
prior Year Expenditure Adjustments		1,243,030			52,684		
irect Entries To Fund Balance		45,851		3,662,385			
<u>fiscal Year 1988-89:</u>							
udgeted Revenue & Transfers In	>11,716,732	>32,034,268		>13,815,430	>4,233,543	>210,146	>5,778,448
onbudgeted Revenue & Transfers In	>8,124	>39,328		>59,176,858	>100		>8,157,480
prior Year Revenue Adjustments	143,377				4,115		20,477
prior Year Revenue						600	
irect Entries To Fund Balance				936,844	3,753		
ash Transfers In		6,479,561	7,184,221				
prior Year Expenditure Adjustments		177,797					
prior Year Transfers In Adjustments						(600)	
Total Additions	<u>20,641,701</u>	<u>75,377,835</u>	<u>17,303,810</u>	<u>157,304,082</u>	<u>8,345,006</u>	<u>534,183</u>	<u>30,996,983</u>
EDUCTIONS							
<u>fiscal Year 1987-88:</u>							
udgeted Expenditures & Transfers Out	>4,707,967	>35,571,752		>24,286,673	>3,903,455	>362,154	>3,344,321
prior Year Expenditure Adjustments	208			234,458			
upport To State Of Montana	4,065,293						
prior Year Expenditures		(15,982)		(80,403)			
prior Year Revenue Adjustments		100,125					2,689,581
onbudgeted Expenditures & Transfers Out			>8,619,219	>48,067,486	>78,479		>5,081,735
onbudgeted Prior Year Expenditure Adjustment				5,532,749	98,332		
ash Transfers Out					29,823		943,392
irect Entries To Fund Balance					78,574		10,396,813
<u>fiscal Year 1988-89:</u>							
udgeted Expenditures & Transfers Out	>4,790,425	>37,631,812		>13,549,587	>4,021,995	>152,144	>4,393,515
prior Year Expenditure Adjustments	3,366			20,495	9,503		
upport To State Of Montana	6,968,745						
prior Year Expenditures		(202)			293		
prior Year Revenue Adjustments		36,887		41,031			
irect Entries To Fund Balance	105,697	73,055				703,721	24,881,750
onbudgeted Expenditures & Transfers Out			>7,896,554	>52,739,324	>(20,355)		>1,390,310
onbudgeted Prior Year Expenditure Adjustment				55,058	(8,355)		
ash Transfers Out					30,152		3
prior Year Revenue							600
prior Year Transfers Out Adjustments							(600)
onbudgeted Prior Year Transfer Out Adjustments							(464,695)
Total Reductions	<u>20,641,701</u>	<u>73,397,447</u>	<u>16,515,773</u>	<u>144,446,458</u>	<u>8,221,896</u>	<u>1,218,019</u>	<u>52,656,725</u>
WD BALANCE: June 30, 1989	\$ -0-	\$ 8,116,600	\$ 1,566,817	\$ 58,111,680	\$ 545,894	\$2,839,738	\$67,116,923

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 23 through 29.

DEPARTMENT OF COMMERCE
SCHEDULE OF BUDGETED REVENUE & TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

	<u>Licenses and Permits</u>	<u>Taxes</u>	<u>Charges For Services</u>	<u>Investment Earnings</u>	<u>Sale of Documents & Merchandise</u>	<u>Income Collections & Transfers</u>	<u>Fines & Forfeits</u>
GENERAL FUND							
Estimated Revenue	\$2,875,700	\$3,475,000	\$ 25,152	\$ 231,206	\$ 1,500	\$3,956,400	
Actual Revenue	<u>2,911,519</u>	<u>4,249,364</u>	<u>25,126</u>	<u>202,970</u>	<u>280</u>	<u>4,327,473</u>	
Collections Over (Under) Estimate	\$ <u>35,819</u>	\$ <u>774,364</u>	\$ <u>(26)</u>	\$ <u>(28,236)</u>	\$ <u>(1,220)</u>	\$ <u>371,073</u>	
SPECIAL REVENUE FUND							
Estimated Revenue	\$3,447,202	\$7,188,186	\$2,232,200	\$ 274,509	\$ 40,600	\$1,159,249	\$24,000
Actual Revenue	<u>3,043,063</u>	<u>8,757,163</u>	<u>1,965,764</u>	<u>312,936</u>	<u>27,642</u>	<u>1,157,406</u>	<u>34,650</u>
Collections Over (Under) Estimate	\$ <u>(404,139)</u>	\$ <u>1,568,977</u>	\$ <u>(266,436)</u>	\$ <u>38,427</u>	\$ <u>(12,958)</u>	\$ <u>(1,843)</u>	\$ <u>10,650</u>
ENTERPRISE FUNDS							
Estimated Revenue	\$ 5,000		\$1,858,987		\$17,000,000	\$ 5,000	
Actual Revenue	<u>3,600</u>		<u>2,067,841</u>		<u>11,644,061</u>	<u>8,931</u>	
Collections Over (Under) Estimate	\$ <u>(1,400)</u>		\$ <u>208,854</u>		\$ <u>(5,355,939)</u>	\$ <u>3,931</u>	
INTERNAL SERVICE FUNDS							
Estimated Revenue	\$ 2,000		\$3,339,792		\$ 3,600	\$ 129,768	
Actual Revenue	<u>2,225</u>		<u>3,403,400</u>		<u>2,870</u>	<u>129,754</u>	
Collections Over (Under) Estimate	\$ <u>225</u>		\$ <u>63,608</u>		\$ <u>(730)</u>	\$ <u>(14)</u>	
EXPENDABLE TRUST FUNDS							
Estimated Revenue				\$ 194,341		\$ 16,000	
Actual Revenue				<u>190,011</u>		<u>20,135</u>	
Collections Over (Under) Estimate				\$ <u>(4,330)</u>		\$ <u>4,135</u>	
NONEXPENDABLE TRUST FUNDS							
Estimated Revenue			\$ 22,980	\$5,960,466		\$ 51,840	
Actual Revenue			<u>35,661</u>	<u>5,696,880</u>		<u>45,907</u>	
Collections Over (Under) Estimate			\$ <u>12,681</u>	\$ <u>(263,586)</u>		\$ <u>(5,933)</u>	

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the

1 of 2

IN - ESTIMATE & ACTUAL
E 30, 1989

Rentals, Leases & Royalties	Miscellaneous	Grants, Contracts, Donations	Federal	Federal Indirect Cost Recoveries	Total
					\$ 10,564,958
					<u>11,716,732</u>
					\$ <u>1,151,774</u>
					\$ 49,052,384
\$ 2,000	\$22,000	\$ 455,000	\$ 34,207,438		<u>32,034,268</u>
<u>1,440</u>	<u>29,690</u>	<u>315,908</u>	<u>16,388,606</u>		
					\$(17,018,116)
\$ <u>(560)</u>	\$ <u>7,690</u>	\$ <u>(139,092)</u>	\$ <u>(17,818,832)</u>		
					\$ 18,908,487
\$36,000	\$ 3,500				<u>13,815,430</u>
<u>63,431</u>	<u>27,566</u>				\$ <u>(5,093,057)</u>
\$27,431	\$24,066				
				\$684,887	\$ 4,160,047
				<u>695,294</u>	<u>4,233,543</u>
				\$ <u>10,407</u>	\$ <u>73,496</u>
					\$ 210,341
					<u>210,146</u>
					\$ <u>(195)</u>
					\$ 6,035,286
					<u>5,778,448</u>
					\$ <u>(256,838)</u>

See notes to the financial schedules on pages 23 through 29.

Page
19

2 of 2

DEPARTMENT OF COMMERCE
SCHEDULE OF BUDGETED REVENUE & TRANSFERS IN - EST
FOR THE FISCAL YEAR ENDED JUNE 30, 19

	Licenses and Permits	Taxes	Charges for Services	Investment Earnings	Sale of Documents & Merchandise	Income Collections & Transfers	Fines & Forfeits	Re Le Ro
GENERAL FUND								
Estimated Revenue	\$3,075,714	\$3,009,699	\$ 25,000	\$ 46,186	\$ 1,750	\$ 3,447,169		
Actual Revenue	<u>2,691,994</u>	<u>2,561,169</u>	<u>20,765</u>	<u>253,684</u>	<u>841</u>	<u>3,236,051</u>		
Collections Over (Under) Estimate	\$ <u>(383,720)</u>	\$ <u>(448,530)</u>	\$ <u>(4,235)</u>	\$ <u>207,498</u>	\$ <u>(909)</u>	\$ <u>(211,118)</u>		
SPECIAL REVENUE FUND								
Estimated Revenue	\$2,865,087	\$6,293,529	\$2,173,134	\$ 212,213	\$ 19,600	\$ 2,126,000	\$ 6,000	\$
Actual Revenue	<u>3,839,716</u>	<u>5,416,003</u>	<u>1,937,688</u>	<u>242,152</u>	<u>30,952</u>	<u>992,746</u>	<u>4,378</u>	
Collections Over (Under) Estimate	\$ <u>974,629</u>	\$ <u>(877,526)</u>	\$ <u>(235,446)</u>	\$ <u>29,939</u>	\$ <u>11,352</u>	\$ <u>(1,133,254)</u>	\$ <u>(1,622)</u>	\$
ENTERPRISE FUNDS								
Estimated Revenue	\$ 60,000		\$1,287,770		\$25,000,000	\$ 3,000		\$
Actual Revenue	<u>5,900</u>		<u>1,844,922</u>		<u>21,056,564</u>	<u>4,490</u>		
Collections Over (Under) Estimate	\$ <u>(54,100)</u>		\$ <u>557,152</u>		\$ <u>(3,943,436)</u>	\$ <u>1,490</u>		\$
INTERNAL SERVICE FUNDS								
Estimated Revenue	\$ 4,000		\$3,451,986		\$ 3,000	\$ 129,768		
Actual Revenue	<u>2,600</u>		<u>3,191,441</u>		<u>2,526</u>	<u>129,768</u>		
Collections Over (Under) Estimate	\$ <u>(1,400)</u>		\$ <u>(260,545)</u>		\$ <u>(474)</u>	<u>0</u>		
EXPENDABLE TRUST FUNDS								
Estimated Revenue				\$ 212,244		\$ 110,698		
Actual Revenue				<u>217,514</u>		<u>106,523</u>		
Collections Over (Under) Estimate				\$ <u>5,270</u>		\$ <u>(4,175)</u>		
NONEXPENDABLE TRUST FUNDS								
Estimated Revenue			\$ 63,900	\$10,671,565		\$ 43,899		
Actual Revenue			<u>38,171</u>	<u>8,273,678</u>		<u>43,524</u>		
Collections Over (Under) Estimate			\$ <u>(25,729)</u>	\$ <u>(2,397,887)</u>		\$ <u>(375)</u>		

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes

**ESTIMATE & ACTUAL
1988**

<u>Rentals, Leases & Royalties</u>	<u>Miscellaneous</u>	<u>Grants, Contracts, Donations</u>	<u>Federal</u>	<u>Federal Indirect Cost Recoveries</u>	<u>Total</u>
					\$ 9,605,518
					<u>8,764,504</u>
					\$ <u>(841,014)</u>
\$ 2,000	\$ 35,500	\$ 375,000	\$ 27,238,753		\$ 41,346,816
<u>1,582</u>	<u>25,295</u>	<u>245,785</u>	<u>15,701,956</u>		<u>28,438,253</u>
					\$ <u>(12,908,563)</u>
\$ <u>(418)</u>	\$ <u>(10,205)</u>	\$ <u>(129,215)</u>	\$ <u>(11,536,797)</u>		\$ 26,387,370
\$32,400	\$ 4,200				<u>22,965,895</u>
<u>43,709</u>	<u>10,310</u>				\$ <u>(3,421,475)</u>
\$ <u>11,309</u>	\$ <u>6,110</u>				
				\$624,274	\$ 4,213,028
				<u>683,699</u>	<u>4,010,034</u>
				\$ <u>59,425</u>	\$ <u>(202,994)</u>
					\$ 322,942
					<u>324,037</u>
					\$ <u>1,095</u>
					\$ 10,779,364
					<u>8,355,373</u>
					\$ <u>(2,423,991)</u>

tes to the financial schedules on pages 23 through 29.

Page
20

2 of 2

DEPARTMENT OF COMMERCE
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT AND FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1989

	Business Licensing/ Regulation	Weight & Measures Bureau	Financial Division	Milk Control Bureau	POL Bureau	Aeronautics Division	Transportation Division	Business Assistance Division	Montana Promotion Division	Housing Assistance Bureau	Community Development Bureau	Office of Research & Information Services
PERSONAL SERVICES												
Salaries	\$ 44,539	\$ 247,343	\$ 450,767	\$ 132,006	\$ 593,646	\$ 248,388	\$ 416,007	\$ 406,163	\$ 338,622	\$ 152,951	\$ 308,206	\$ 138,025
Other Compensation	550		1,790	5,050	67,950	1,950		675			5,850	425
Employee Benefits	7,997	60,199	92,725	28,713	126,203	58,233	82,548	83,514	69,715	32,522	61,261	28,506
Total	<u>53,086</u>	<u>307,542</u>	<u>545,282</u>	<u>165,769</u>	<u>787,799</u>	<u>308,571</u>	<u>498,555</u>	<u>490,352</u>	<u>408,337</u>	<u>185,473</u>	<u>375,317</u>	<u>166,956</u>
OPERATING EXPENSES												
Contracted Services	15,541	10,948	13,789	10,178	281,818	133,938	123,857	514,202	648,628	65,419	34,158	23,868
Supplies & Materials	56	15,921	8,813	4,126	19,735	27,375	7,632	40,408	20,113	3,149	6,864	8,000
Communications	1,040	7,887	7,126	9,537	92,566	21,704	12,372	77,547	1,712,669	17,789	17,411	9,968
Travel	1,990	32,105	101,691	25,761	152,336	18,718	39,344	108,169	94,207	6,817	27,660	6,340
Rent	1,213	9,709	9,452	9,000	47,411	12,915	12,452	94,104	25,689	11,397	14,319	11,551
Utilities		1,392				20,194				1,645		
Repair & Maintenance	76	15,296	4,130	1,721	27,546	22,504	2,919	7,399	9,142	17,194	7,317	3,369
Other Expenses	4,635	31,102	52,378	31,582	813,710	45,550	49,199	72,780	89,886	33,976	102,844	19,382
Goods Purchased For Resale						9,081		840				
Total	<u>24,551</u>	<u>124,360</u>	<u>197,379</u>	<u>91,905</u>	<u>1,435,122</u>	<u>311,979</u>	<u>247,775</u>	<u>915,449</u>	<u>2,600,334</u>	<u>157,386</u>	<u>210,573</u>	<u>82,478</u>
EQUIPMENT AND INTANGIBLE ASSET												
Equipment		9,168	11,930	6,845	4,977	45,004		41,563	5,701	385		288
Intangible Assets											1,500	
Total		<u>9,168</u>	<u>11,930</u>	<u>6,845</u>	<u>4,977</u>	<u>45,004</u>		<u>41,563</u>	<u>5,701</u>	<u>385</u>	<u>1,500</u>	<u>288</u>
LOCAL ASSISTANCE												
From State Sources						243,933			855,755			
Total						<u>243,933</u>			<u>855,755</u>			
TRANSFERS												
From State Sources						10,000	71,250	3,000			389,547	
From Federal Sources							2,007,735			9,592,996	4,895,160	
From Other Sources							254,543					
Total						<u>10,000</u>	<u>2,333,528</u>	<u>3,000</u>		<u>9,592,996</u>	<u>5,284,707</u>	
INVESTMENTS & CLAIMS												
To Individuals					19,045							
Total					<u>19,045</u>							
TRANSFERS												
Accounting Entity Transfers						8,931	20,135					
Mandatory Transfers												
Total						<u>8,931</u>	<u>20,135</u>					
PROPERTY SERVICE												
Leases												
Installment Purchases												
Total												
TOTAL PROGRAM EXPENDITURES	<u>\$ 77,637</u>	<u>\$ 441,070</u>	<u>\$ 754,591</u>	<u>\$ 264,519</u>	<u>\$ 2,246,943</u>	<u>\$ 928,418</u>	<u>\$ 3,099,993</u>	<u>\$ 1,450,364</u>	<u>\$ 3,870,127</u>	<u>\$ 9,936,240</u>	<u>\$ 5,872,097</u>	<u>\$ 249,722</u>
GENERAL FUND												
Budgeted		\$ 442,178					\$ 493,444	\$ 629,719			\$ 207,995	\$ 237,410
Actual		<u>441,070</u>					<u>490,131</u>	<u>615,486</u>			<u>202,478</u>	<u>234,918</u>
Unspent Budget Authority		<u>\$ 1,108</u>					<u>\$ 3,313</u>	<u>\$ 16,233</u>			<u>\$ 5,517</u>	<u>\$ 2,492</u>
SPECIAL REVENUE FUND												
Budgeted	\$ 93,059		\$ 785,373	\$ 279,598	\$ 1,887,579	\$ 1,052,909	\$ 4,060,687	\$ 1,177,859	\$ 4,957,834	\$ 12,693,392	\$ 17,637,821	\$ 40,000
Actual	<u>18,059</u>		<u>754,591</u>	<u>264,519</u>	<u>1,542,982</u>	<u>869,547</u>	<u>2,437,583</u>	<u>834,878</u>	<u>3,870,127</u>	<u>9,936,240</u>	<u>5,669,619</u>	<u>14,804</u>
Unspent Budget Authority	<u>\$ 75,000</u>		<u>\$ 30,782</u>	<u>\$ 15,079</u>	<u>\$ 344,597</u>	<u>\$ 183,362</u>	<u>\$ 1,623,104</u>	<u>\$ 342,981</u>	<u>\$ 1,087,707</u>	<u>\$ 2,757,152</u>	<u>\$ 11,968,202</u>	<u>\$ 25,196</u>
ENTERPRISE FUNDS												
Budgeted						\$ 62,083						
Actual						<u>58,871</u>						
Unspent Budget Authority						<u>\$ 3,212</u>						
INTERNAL SERVICE FUNDS												
Budgeted	\$ 59,937				\$ 706,154							
Actual	<u>59,578</u>				<u>703,961</u>							
Unspent Budget Authority	<u>\$ 359</u>				<u>\$ 2,193</u>							
DEPENDABLE TRUST FUNDS												
Budgeted							\$ 1,590,448					
Actual							<u>152,144</u>					
Unspent Budget Authority							<u>\$ 1,438,304</u>					
NONDEPENDABLE TRUST FUNDS												
Budgeted							\$ 151,303					
Actual							<u>20,135</u>					
Unspent Budget Authority							<u>\$ 131,168</u>					

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 23 through 29.

1 of 2

Local Government Services - Audit	Local Government Services - Systems	Local Govt Assistance Admin	Building Codes Bureau	Indian Affairs Coordinator	Health Facilities Authority	Montana Science & Tech Alliance	Board of Housing	Investments Division	Video Gaming Control Bureau	Montana State Lottery	Board of Horse Racing	Director/ Management Services	Total
582,840	\$ 130,666	\$ 74,907	\$ 643,387	\$ 54,035	\$ 60,164	\$ 103,204	\$ 258,908	\$ 721,522	\$ 188,426	\$ 745,793	\$ 85,911	\$ 555,282	\$ 7,681,708
120,122	26,283	13,891	153,089	10,768	1,500	1,850	7,200	9,100	1,325	1,700	5,000	118,040	118,040
702,962	156,949	88,798	802,601	64,803	74,095	125,360	321,087	868,818	230,072	903,911	103,579	662,206	9,398,280
14,813	53,591	99	26,122	1,540	12,964	51,134	1,356,827	113,364	269,987	910,257	20,609	62,987	4,770,638
9,926	3,383	33	24,966	323	1,175	3,558	4,822	18,029	12,924	58,611	10,004	10,043	320,009
18,113	7,749	1,168	32,247	5,632	6,902	11,857	25,854	39,111	18,224	396,728	6,264	16,405	2,573,870
90,657	29,708	171	57,710	2,230	7,596	13,836	12,970	21,249	12,089	35,873	28,139	12,572	939,938
21,291	6,870		14,185	5,516	3,256	15,270	30,403	63,222	22,279	81,895	3,370	20,045	546,814
2,387	1,111									11,782			38,511
6,671	2,560		18,122	2,108	2,212	1,761	60,000	17,030	7,527	75,634	1,237	12,134	325,609
72,770	37,478	7,015	146,263	6,424	11,663	30,429	36,278	83,087	20,854	5,384,332	9,917	11,184	7,204,718
236,628	142,450	8,486	321,373	23,773	45,768	127,845	1,527,154	355,092	363,884	7,554,733	79,540	145,370	17,331,387
4,662	3,711		151,992		575	1,135	1,400	43,390	9,908	1,600		32,308	376,542
4,662	3,711		151,992		575	1,135	1,400	59,599	1,687				62,786
								102,989	11,595	1,600		32,308	439,328
								722	8,500,384				9,600,794
								722	8,500,384				9,600,794
2,621,627						404,240							3,499,664
2,621,627						404,240							16,495,891
													254,543
													20,250,098
													19,043
													19,043
43,546	86,208							4,373,380					4,532,200
43,546	86,208							4,373,380		2,774,692			2,774,692
										2,774,692			7,306,892
										249			249
								2,155	1,755	189,495			193,405
								2,155	1,755	189,744			193,654
987,798	\$ 3,010,945	\$ 97,284	\$ 1,275,966	\$ 88,576	\$ 120,438	\$ 658,580	\$ 1,851,796	\$ 5,702,756	\$ 9,105,935	\$ 11,424,680	\$183,119	\$ 839,884	\$ 64,539,478
43,546	\$ 2,557,680		\$ 27,438	\$ 89,908				\$ 497,395			\$ 88,690		\$ 5,315,403
43,546	2,557,658		27,300	88,576				722			88,540		4,790,425
-0-	\$ 22		\$ 138	\$ 1,332				\$ 496,673			\$ 150		\$ 524,978
\$ 311,000			\$ 1,312,662			\$ 7,316,700			\$ 9,805,213		\$233,346		\$ 63,645,032
222,563			1,248,666			658,580			9,105,935		183,119		37,631,812
\$ 88,437			\$ 63,996			\$ 6,658,120			\$ 699,278		\$ 50,227		\$ 26,013,220
					\$ 122,383	\$ 105,060	\$ 2,022,142	\$ 106,627		\$ 25,100,001			\$ 27,518,296
					120,438	-0-	1,851,796	93,802		11,424,680			13,549,587
					\$ 1,945	\$ 105,060	\$ 170,346	\$ 12,825		\$ 13,675,321			\$ 13,968,709
1,018,780	\$ 253,065	\$ 98,233						\$ 1,270,235			\$ 806,906		\$ 4,213,310
944,252	230,724	97,284						1,234,852			751,344		4,021,995
74,528	\$ 22,341	\$ 949						\$ 35,383			\$ 55,562		\$ 191,315
								\$ 56,000					\$ 1,646,448
								-0-					152,144
								\$ 56,000					\$ 1,494,304
								\$ 4,600,000					\$ 4,751,303
								4,373,380					4,393,515
								\$ 226,620					\$ 357,788

Page
21

2 of 2

DEPARTMENT OF COMMERCE
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT AND FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

	Business Licensing/ Regulation	Weight & Measures Bureau	Financial Division	Milk Control Bureau	POL Bureau	Aeronautics Division	Transportation Division	Business Assistance Division	Montana Promotion Division	Housing Assistance Bureau	Community Development Bureau
PERSONAL SERVICES											
Salaries	\$44,332	\$231,134	\$442,642	\$135,077	\$ 590,498	\$ 247,176	\$ 419,217	\$ 317,064	\$ 292,120	\$ 148,080	\$ 319,498
Other Compensation	500		900	6,650	64,075	2,100		1,000			6,400
Employee Benefits	7,938	51,969	91,692	29,254	118,020	53,979	82,600	62,552	61,246	31,391	64,413
Total	<u>52,770</u>	<u>283,103</u>	<u>535,234</u>	<u>170,981</u>	<u>772,593</u>	<u>303,255</u>	<u>501,817</u>	<u>380,616</u>	<u>353,366</u>	<u>179,471</u>	<u>390,311</u>
OPERATING EXPENSES											
Contracted Services	10,329	15,113	18,815	13,804	288,498	140,904	221,761	297,412	690,083	18,830	72,068
Supplies & Materials	57	13,726	2,783	2,120	19,239	35,335	4,035	24,282	17,602	3,353	8,937
Communications	861	6,669	6,640	9,427	81,490	25,314	15,642	42,128	1,660,286	18,059	16,773
Travel	2,922	27,060	108,396	26,968	142,648	21,291	58,296	102,224	97,668	10,620	31,051
Rent	1,346	8,912	7,383	8,169	45,876	13,648	14,033	50,057	25,254	10,416	15,137
Utilities		1,066				14,320		31		1,673	
Repair & Maintenance	391	13,305	3,867	2,266	21,408	25,682	3,216	12,380	11,709	15,584	7,020
Other Expenses	4,261	22,935	52,301	28,675	783,104	36,512	112,918	50,224	113,384	29,757	98,469
Goods Purchased For Resale						15,507		1,895			
Total	<u>20,167</u>	<u>108,786</u>	<u>200,185</u>	<u>91,429</u>	<u>1,382,263</u>	<u>328,513</u>	<u>429,901</u>	<u>580,633</u>	<u>2,615,986</u>	<u>108,292</u>	<u>249,455</u>
EQUIPMENT AND INTANGIBLE ASSETS											
Equipment		21,654	30,196	297	24,200	33,031	857	17,836	74,368	8,655	
Intangible Assets								6,429			1,907
Total		<u>21,654</u>	<u>30,196</u>	<u>297</u>	<u>24,200</u>	<u>33,031</u>	<u>857</u>	<u>24,265</u>	<u>74,368</u>	<u>8,655</u>	<u>1,907</u>
CAPITAL OUTLAY											
Buildings						130,000					
Total						<u>130,000</u>					
LOCAL ASSISTANCE											
From State Sources						259,845			783,225		
Total						<u>259,845</u>			<u>783,225</u>		
GRANTS											
From State Sources						16,268	71,250				1,772,145
From Federal Sources							2,018,814	7,500		9,289,000	4,543,686
From Other Sources							264,796				
Total						<u>16,268</u>	<u>2,354,860</u>	<u>7,500</u>		<u>9,289,000</u>	<u>6,315,831</u>
TRANSFERS											
Accounting Entity Transfers						4,490	41,334				
Mandatory Transfers											
Total						<u>4,490</u>	<u>41,334</u>				
DEBT SERVICE											
Leases											
Installment Purchases											
Total											
TOTAL PROGRAM EXPENDITURES	<u>\$72,937</u>	<u>\$413,543</u>	<u>\$765,615</u>	<u>\$262,707</u>	<u>\$2,179,056</u>	<u>\$1,075,402</u>	<u>\$3,328,769</u>	<u>\$ 993,014</u>	<u>\$3,826,945</u>	<u>\$ 9,585,418</u>	<u>\$ 6,957,504</u>
GENERAL FUND											
Budgeted		\$437,858					\$ 603,626	\$ 634,692			\$ 214,748
Actual		<u>413,543</u>					<u>598,803</u>	<u>632,613</u>			<u>214,620</u>
Unspent Budget Authority		<u>\$ 24,315</u>					<u>\$ 4,823</u>	<u>\$ 4,079</u>			<u>\$ 128</u>
SPECIAL REVENUE FUND											
Budgeted	\$91,928		\$834,952	\$281,749	\$1,851,119	\$1,231,414	\$5,599,860	\$1,235,440	\$4,713,663	\$10,032,634	\$18,929,266
Actual	<u>13,374</u>		<u>765,615</u>	<u>262,707</u>	<u>1,493,439</u>	<u>1,034,920</u>	<u>2,368,254</u>	<u>360,401</u>	<u>3,826,945</u>	<u>9,585,418</u>	<u>6,742,894</u>
Unspent Budget Authority	<u>\$78,554</u>		<u>\$ 69,337</u>	<u>\$ 19,042</u>	<u>\$ 357,680</u>	<u>\$ 196,494</u>	<u>\$3,231,606</u>	<u>\$ 875,039</u>	<u>\$ 886,718</u>	<u>\$ 447,216</u>	<u>\$12,186,382</u>
ENTERPRISE FUNDS											
Budgeted						\$ 62,083					
Actual						<u>40,482</u>					
Unspent Budget Authority						<u>\$ 21,601</u>					
INTERNAL SERVICE FUNDS											
Budgeted	\$59,789				\$ 714,478						
Actual	<u>59,563</u>				<u>685,617</u>						
Unspent Budget Authority	<u>\$ 226</u>				<u>\$ 28,861</u>						
EXPENDABLE TRUST FUNDS											
Budgeted							\$1,910,826				
Actual							<u>320,378</u>				
Unspent Budget Authority							<u>\$1,590,448</u>				
NONEXPENDABLE TRUST FUNDS											
Budgeted							\$ 151,303				
Actual							<u>41,334</u>				
Unspent Budget Authority							<u>\$ 109,969</u>				

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 23 through

1 of 2

Office of Research & Information Services	Local Government Services - Audit	Local Government Services- System	Local Govt Assistance Admin	Building Codes Bureau	Indian Affairs Coordinator	Health Facilities Authority	Montana Science & Tech Alliance	Board of Housing	Investment Division	Video Lending Control Bureau	Montana State Lottery	Board of Horse Racing	Director/ Management Services	Total
\$146,046 800 <u>29,842</u> 176,688	\$ 569,935 154 <u>115,653</u> 685,742	\$ 109,615 <u>21,512</u> 131,127	\$75,021 <u>13,879</u> 88,900	\$ 617,530 6,250 <u>139,985</u> 763,765	\$45,031 <u>9,224</u> 54,255	\$ 64,325 2,050 <u>13,305</u> 79,680	\$ 138,173 5,000 <u>26,942</u> 170,115	\$ 253,888 6,850 <u>53,205</u> 313,943	\$ 767,702 6,900 <u>137,743</u> 912,345	\$ 146,931 2,525 <u>30,758</u> 180,214	\$ 779,135 1,700 <u>153,192</u> 934,027	\$ 87,237 4,750 <u>11,294</u> 103,281	\$549,601 <u>104,553</u> 654,154	\$ 7,537,008 118,604 <u>1,516,141</u> 9,171,753
14,713 5,484 8,742 9,000 10,156 3,371 21,755 <u>73,221</u>	18,115 6,725 18,071 88,142 21,380 2,592 5,468 73,137 <u>233,630</u>	52,306 1,642 6,540 22,611 6,819 1,131 2,364 22,689 <u>116,102</u>	581 1,175 953 7,043 <u>9,752</u>	39,034 22,035 27,501 56,698 15,530 21,595 150,469 17,697 <u>350,559</u>	2,413 937 6,246 6,567 5,403 946 5,477 <u>27,989</u>	17,673 1,899 5,795 12,042 3,167 2,169 11,160 <u>53,905</u>	189,439 6,283 15,940 50,140 14,868 4,966 34,151 <u>315,787</u>	1,255,463 5,240 27,817 10,839 29,613 34,204 34,312 <u>1,397,488</u>	142,857 11,572 31,238 19,385 60,185 3,894 80,157 <u>349,288</u>	271,164 12,693 15,329 13,748 11,571 4,530 16,069 <u>345,104</u>	1,403,328 75,169 693,144 55,175 89,888 11,710 72,199 9,580,557 594,541 <u>12,575,711</u>	36,557 8,787 5,211 23,171 3,345 1,454 22,087 <u>100,612</u>	57,068 14,333 16,392 23,435 21,487 16,629 11,094 <u>160,438</u>	5,288,328 304,268 2,762,430 1,021,050 493,643 32,523 290,617 11,402,697 629,640 <u>22,225,196</u>
9,262 1,310 <u>10,572</u>	4,580 <u>4,580</u>			380 <u>380</u>			23,282 <u>23,282</u>		40,506 22,500 <u>63,006</u>	113,740 <u>113,740</u>	41,976 <u>41,976</u>	7,258 <u>7,258</u>	9,167 <u>9,167</u>	461,245 32,146 <u>493,391</u>
														130,000 <u>130,000</u>
									2,605 <u>2,605</u>	5,122,336 <u>5,122,336</u>				6,168,011 <u>6,168,011</u>
		2,548,990 <u>2,548,990</u>					1,268,836 <u>1,268,836</u>							5,677,489 15,859,000 264,796 <u>21,801,285</u>
	43,560 <u>43,560</u>	86,208 <u>86,208</u>							3,344,764 <u>3,344,764</u>		8,375,894 <u>8,375,894</u>			3,520,356 8,375,894 <u>11,896,250</u>
									2,286 <u>2,286</u>	7,021 <u>7,021</u>	996 280,133 <u>281,129</u>			996 289,440 <u>290,436</u>
\$260,481 <u>\$260,481</u>	\$ 967,512 43,560 <u>\$ 967,512</u>	\$2,882,427 2,372,467 <u>\$2,882,427</u>	\$98,652 <u>\$98,652</u>	\$1,114,704 29,711 <u>\$1,114,704</u>	\$82,244 84,629 <u>\$82,244</u>	\$133,585 72,535 <u>\$133,585</u>	\$1,778,020 1,705,485 <u>\$1,778,020</u>	\$1,713,717 500,000 <u>\$1,713,717</u>	\$4,679,029 2,605 <u>\$4,679,029</u>	\$5,761,394 5,761,394 <u>\$5,761,394</u>	\$22,208,737 211,151 <u>\$22,208,737</u>	\$211,151 <u>\$211,151</u>	\$823,759 <u>\$823,759</u>	\$72,176,322 90,503 <u>\$72,176,322</u>
\$242,347 228,285 <u>\$242,347</u>	\$ 43,560 43,560 <u>\$ 43,560</u>	\$2,372,467 2,372,467 <u>\$2,372,467</u>		\$ 29,711 28,760 <u>\$ 29,711</u>	\$84,629 82,244 <u>\$84,629</u>								\$ 90,503 90,472 <u>\$ 90,503</u>	\$ 5,256,141 4,707,967 <u>\$ 5,256,141</u>
\$ 40,000 32,196 <u>\$ 40,000</u>		\$ 321,630 321,630 <u>\$ 321,630</u>		\$1,170,240 1,085,944 <u>\$1,170,240</u>			\$3,345,000 1,705,485 <u>\$3,345,000</u>			\$7,602,709 5,761,394 <u>\$7,602,709</u>		\$240,302 211,151 <u>\$240,302</u>		\$57,521,906 35,571,752 <u>\$57,521,906</u>
														\$21,950,154 <u>\$21,950,154</u>
														\$27,137,080 24,286,673 <u>\$27,137,080</u>
														\$2,850,407 <u>\$2,850,407</u>
	\$1,027,967 923,952 <u>\$1,027,967</u>	\$ 254,924 188,340 <u>\$ 254,924</u>	\$98,666 98,652 <u>\$98,666</u>											\$ 4,268,019 3,903,455 <u>\$ 4,268,019</u>
														\$ 95,290 <u>\$ 95,290</u>
														\$ 1,960,826 362,154 <u>\$ 1,960,826</u>
														\$ 3,671,869 3,344,321 <u>\$ 3,671,869</u>
														\$ 327,548 <u>\$ 327,548</u>

Page
22

2 of 2

MONTANA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL SCHEDULES

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1989

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The department uses the modified accrual basis of accounting for the General Fund, Special Revenue Fund, Debt Service Fund, Expendable Trust Fund, and Agency Fund. In applying the modified accrual basis, revenues are recorded when they are received in cash, unless susceptible to accrual. Revenues susceptible to accrual are recorded as receivables when they are measurable and available to pay current period liabilities. Intergovernmental revenues received as reimbursements are recognized based upon the expenditures recorded. Intergovernmental revenues received but not earned are recorded as deferred revenues or liabilities to the respective governments.

Under the modified accrual basis of accounting, expenditures are recorded for valid obligations. A valid obligation exists when the related liability is incurred and includes the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in a fiscal year subsequent to the fiscal year in which the expenditure is accrued.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued prior to fiscal year-end.
- Obligations for employees' vested annual leave and sick leave are recorded as expenditures when paid.

The accrual basis of accounting is used for the Internal Service Fund, Enterprise Fund, and Nonexpendable Trust Fund. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized when a valid obligation, as defined above, is incurred, if measurable.

B. Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the

basis of funds according to state law. The following funds types are used by the department:

General - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Legislative appropriations are required to be spent from this fund type. This activity includes professional licensing boards as well as other boards administratively attached to the department, airport loans, local government block grant (coal tax money), highways special revenue, county land planning, local impact, banking industry regulation, building codes division, aeronautics division, video gaming, federal grants, and economic development activities such as tourism and business promotion.

Debt Service Fund - to account for accumulation of resources for, and the payment of, long-term debt principal and interest. The department uses this fund type to account for tax moneys which are used to back bonds or to make direct or guaranteed loans to areas affected by coal mining.

Enterprise Funds - to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that, on a continuing basis, the enterprise be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Funds at the department include operations of the Housing Authority, the West Yellowstone Airport, the Health Facilities Authority, the Office of Developmental Finance, the Montana Lottery, and the Montana Science and Technology Alliance.

Internal Service Funds - to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The department accounts for the Director's Office, Local Government Services, Management Services Division, the Investments Division, Business Regulation and Licensing Support, and Professional and Occupational Licensing Administration.

Trust and Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds, Nonexpendable Trust Funds, and Agency Funds.

The Expendable Trust Fund includes settlement money from the Burlington Northern lawsuit. The fund was established as a result of a trust agreement between the department and Burlington Northern. This fund also included a portion of the In-State Investment Fund which was transferred to the Nonexpendable Trust Fund during fiscal year 1988-89.

The Nonexpendable Trust Fund includes the Education Trust Fund, In-state Investment Fund (coal tax moneys), Coal Tax Loan Loss Reserve, and the BN - Geraldine Settlement.

The Agency Fund includes a consumer affairs account and receipts from horse racing exotic wagering. The horse racing money is for a bonus program for owners of Montana-bred race horses. The money is 2 percent of exotic wagers at each track; exotic is defined as any wager except for win, place, or show. This fund also includes the Short-Term Investment Pool and the Montana Common Stock Pool administered by the Board of Investments.

2. ANNUAL AND SICK LEAVE

Employees at the department accumulate both annual and sick leave. Employees are paid for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in the accompanying financial schedules. Expenditures for termination pay currently are absorbed in the annual operational costs of the department. At June 30, 1988 and 1989, the department had an approximate liability of \$1,002,299 and \$1,006,755, respectively.

3. PENSION PLAN

Employees are covered by Montana Public Employees' Retirement System (PERS). The department's contribution to this plan was \$483,312 in fiscal year 1988-89.

4. GENERAL FUND BALANCE

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund within their appropriation limits. Thus, on an agency schedule, the beginning and ending fund balance will always be zero for the General Fund.

5. NONBUDGETED ACTIVITY

The department records nonbudgeted activity in its Debt Service, Enterprises, and Nonexpendable Trust fund accounts. The department does not establish budgets or estimates due to the difficulties involved in anticipating the level of activity. The Debt Service and part of the Nonexpendable Trust activity involve coal tax revenues and payments on bonds serviced by those revenues. The Nonexpendable Trust activity also includes transfers of investment income from the Education Trust Fund to the Office of Public Instruction. The Board of Housing and the Office of Developmental Finance (formerly the Montana

yEconomic Development Board) are bonding activities and account for the material portion of the Enterprise nonbudgeted activity.

6. DIRECT ENTRIES TO FUND BALANCE

- A. The majority of the direct entries to fund balance in fiscal years 1987-88 and 1988-89 in the Enterprise Fund relate to the Board of Housing's activity. The entries are corrections of errors made in the prior fiscal year.
- B. The direct entries to fund balance during fiscal years 1987-88 and 1988-89 in the Nonexpendable Trust Fund are primarily due to permanent transfers from the Education Trust Fund to the Office of Public Instruction and the Board of Regents. The 1987 Legislature authorized these transfers to provide funding for the state's share of the School Equalization Program and to provide funding for higher education. This activity was recorded as "residual equity transfers" under state accounting policy.
- C. The fiscal year 1988-89 direct entries to fund balance in the Expendable Trust Fund resulted from the department's closing the In-state Investment account in this fund and transferring the cash to the Nonexpendable Trust Fund's In-state Investment account. The transfer was recorded as a "residual equity transfer" under state accounting policy.

7. DEPARTMENTAL PROGRAM CHANGES

The Montana Agriculture Development Council, under the Business Assistance Division, was transferred from the department to the Department of Agriculture in February 1989. The department's Video Gaming Bureau was transferred to the Department of Justice on July 1, 1989 after having been at Commerce since April 1987.

8. LONG-TERM DEBT

The department's bonding activities, include the Board of Housing (BOH), the Office of Developmental Finance (ODF), and the Montana Health Facilities Authority (MHFA). The MHFA issues no-commitment debt. These bonds are payable solely from loan repayments made by health institutions and from funds created by the indentures and investment earnings. The bonds do not constitute a

debt of the department or the state of Montana and are not recorded on the accounting records. The BOH and ODF together had recorded current and long-term notes and bonds payable of \$597,189,578 at June 30, 1989. These liabilities were audited separately by a public accounting firm and the Office of the Legislative Auditor, respectively.

9. SUBSEQUENT EVENTS

The June 1989 Legislature, during the June 1989 Special Session, dissolved the Education Trust Fund via House Bill 28 which was signed into law in August 1989. The department then transferred the final balance of approximately \$8.6 million to the State Equalization Aid account at the Office of Public Instruction.

10. AGENCY FUND ACTIVITY

Department of Commerce had the following balances recorded in its Agency Fund.

	<u>June 30, 1988</u>	<u>June 30, 1989</u>
<u>Assets</u>		
Cash	\$ 101,797	\$ 38,259
Receivables	7,363,410	10,371,701
Other Investments	629,614,809	799,961,665
Interest Purchased	94,417	-0-
Transfers to STIP-Principal	62,353,600	58,646,000
Short-term Securities on Loan	<u>87,545,897</u>	<u>3,303,826</u>
Total Assets	<u>787,073,930</u>	<u>872,321,451</u>
<u>Liabilities</u>		
Payables	156,889	23,186
Allowance for Realized Gains & Losses	42,607,878	55,525,688
Property Held in Trust	6,330	7,870
Accountability to STIP		
Participants-STIP Units	543,011,700	534,971,600
Accountability to Montcomp		
Participants	126,981,633	134,861,807
Due to Local Governments	<u>74,309,500</u>	<u>146,931,300</u>
Total Liabilities	<u>787,073,930</u>	<u>872,321,451</u>

Of the balances presented above, \$786,922,098 in fiscal year 1987-88 and \$872,290,500 in fiscal year 1988-89 is attributable to the Board of Investments Short-term Investment Pool and the Montana Common Stock Pool. This activity is audited separately by the Office of the Legislative Auditor.

11. FEDERAL REVENUES

The difference between estimated revenues and actual revenues collected is due primarily to continuing revenue estimates for Community Development Block Grants which have carried forward from fiscal years 1985-86, 1986-87, and 1987-88. Another contributing factor is that the department received no revenue against some estimates. This occurs when projects do not begin at the time originally anticipated, e.g. the Shelby Transloading Facility anticipated to begin in fiscal year 1988-89.

12. SALE OF DOCUMENTS AND MERCHANDISE REVENUES

Fiscal year 1988-89 Lottery revenues were approximately half those of fiscal year 1987-88, the first year of operations. The department did anticipate a 32 percent reduction in revenues for the second year of the Lottery. The difference between the department's estimate and what actually occurred caused the variance.

13. LOTTERY EXPENDITURES

The lower revenue collections discussed in note 12 above directly contributed to the lower than anticipated expenditures in this program. State law directs the distribution of lottery revenues to lottery operations, prizes, and transfers to the Office of Public Instruction for further distribution to Montana school districts.

14. PROGRAM BUDGETS VS ACTUAL EXPENDITURES

- A. Transportation Division Program - The Special Revenue Fund budget includes authority in both fiscal years for projects funded but not significantly in progress until the subsequent fiscal year such as the Transloading Facility in Butte. Appropriation authority was approved in fiscal year 1987-88 but the project was not substantially underway until fiscal year 1988-89.

The Expendable Trust Fund budget for both fiscal years includes a fiscal year 1985-86 continuing appropriation for the Burlington Northern Settlement. The moneys in this account are used to help finance operations of the Central Montana Railroad.

- B. Community Development Bureau Program - Special Revenue Fund budgets for both fiscal years include continuing appropriations for Coal Board grants approved in fiscal years 1983-84 through 1986-87. These projects can take up to 10 years to complete.

- C. Montana Science and Technology Alliance Program - The fiscal year 1988-89 Special Revenue Fund budget for this program included an appropriation for \$7.3 million for the Seed Capital Bonding Program. The Montana Supreme Court declared this program unconstitutional in October 1988 so there was no need for this authority.

AGENCY RESPONSE

DEPARTMENT OF COMMERCE

RECEIVED

NOV 30 1989

Legislative Auditor



STAN STEPHENS, GOVERNOR

1424 9TH AVENUE

STATE OF MONTANA

(406) 444-3494

HELENA, MONTANA 59620-0501

November 30, 1989

Mr. Scott A. Seacat
Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Seacat:

Enclosed is our response to the financial-compliance audit of the Department of Commerce for the fiscal years 1988 and 1989.

Considering the size and diversity of the department, we are proud and very pleased at the small number of recommendations, although we will strive to implement them to the best of our ability.

Thank you for the opportunity to respond.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Michael L. Letson".

Michael L. Letson, Director

DEPARTMENT OF COMMERCE
RESPONSES TO AUDIT RECOMMENDATIONS

RECOMMENDATION #1

We recommend the department:

- A. Establish policies and procedures to ensure program managers spend in accordance with their operating plans as recorded on SBAS.
- B. Record all operating plan amendments on SBAS.

RESPONSE

The department concurs with the recommendation. At fiscal year end '89 the department was in substantial compliance with an approved operating plan on file in the Office of Budget and Program Planning as required by HB 2. We agree that not all approved operating changes were recorded on SBAS. The department will implement procedures during FY '90 to ensure that all operating budget changes are recorded on SBAS.

RECOMMENDATION #2

We recommend the Department of Commerce comply with state law by preparing and distributing a county collections manual.

RESPONSE

The department conditionally concurs. The department supports the preparation of a county collections manual. The department will submit a request to the next legislature for general fund resources to adequately implement the law. A previous request for funding to implement the law was denied.

RECOMMENDATION #3

We recommend the department require the licensing boards to comply with state law and set fees commensurate with costs.

RESPONSE

The Department conditionally concurs. Some Professional and Occupational Licensing Boards have fund balances in excess of the next fiscal year's operating budget. The Department currently reviews fees and recommends that boards reduce or increase fees to a point where fund balance is maintained at a reasonable level. Where necessary, the department will recommend fee reductions.

Three factors limit the department's ability to affect fund balances of Professional and Occupational Licensing (P.O.L.) Boards:

- 1) P.O.L. boards have final authority over setting fees. They may or may not act in accordance with department recommendations to raise or lower fees.

2) Fees are set by rule change in Administrative Rules of Montana. This requires at least six months lead time prior to the start of a licensing period to allow for public comment, hearings and notices. A fee change has to be in effect for a whole license year to materially affect the fiscal year end fund balance.

3) Fee rates are set far in advance of a license year based on the best estimate for revenues and expenditures for each board. Unanticipated changes in operations, major expenditures and numbers of licensees affect the fund balance. The department does not feel it is prudent to allow fees to drastically fluctuate from year to year for the sole purpose of maintaining fund balance for a board.

RECOMMENDATION #4

We recommend the department comply with the Section 8 reinspection regulations.

RESPONSE

The department concurs. As of the date of this audit report, the department has completed the reinspections for FY '89. The reinspections for FY '90 are scheduled and will be accomplished in the spring of 1990.

RECOMMENDATION #5

We recommend the department:

A. Record all accounts receivable for Section 8 Housing Assistance overpayments and damage expenses.

RESPONSE

The department concurs. All accounts receivable will be accurately recorded on SBAS at fiscal year end '90.

B. Provide training on the housing assistance computer system to Section 8 personnel.

RESPONSE

The department concurs. New staff training is scheduled for March 1990, with the accounts receivable recording and tracking being a fundamental part.

RECOMMENDATION #6

We recommend the department ensure correct and consistent information is included in the CDBG Performance and Evaluation Report.

RESPONSE

The department concurs. There is now a double-check on the report, as the Management Services Division is reviewing the report after it is prepared by the Local Government Assistance Division, prior to submitting the report to HUD.





